

Commonwealth of Massachusetts
HOME American Dream Downpayment Initiative (ADDI)
Buyer Assistance Program
Application Guidelines

A. Overview

The Department of Housing and Community Development (DHCD) uses HOME ADDI to assist income-qualified households purchase their first home.

The U.S. Dept. of HUD has promulgated regulations and issued guidelines governing the use of HOME ADDI funds for homeownership projects and all applications to DHCD must conform in every respect to HUD's requirements.

For purposes of the HOME ADDI program, homeownership means ownership in fee simple title, or a 99-year leasehold interest, or an equivalent form of ownership approved by the U.S. Dept. of HUD. The ownership interest may be subject to mortgages, deeds of trust or other liens or instruments securing debt on the property as approved by DHCD, and/or other encumbrances or restrictions that do not impair good and marketable title.

B. Eligible Applicants

Eligible applicants for funding under DHCD's HOME ADDI Buyer Assistance Program include: non-profit sponsors, municipalities, and non-profits in partnership with municipalities. Please note that HOME Participating Jurisdictions (PJs) and Consortium communities (*see attachment A*) **are not** eligible to apply for funding under this program. Non-profit sponsors who intend to provide assistance in HOME PJs and Consortium communities must provide a matching contribution equal to the amount being requested from DHCD.

C. Eligible and Ineligible Property Types

DHCD's HOME ADDI may be used to purchase the following types of properties:

- 1-4 family residence
- Condominium unit
- Manufactured home and lot

DHCD requires all units purchased with HOME ADDI assistance to meet the Section 8 Housing Quality Standards (HQS) at the **time of closing**, and to meet the Massachusetts Lead Law and the HUD federal lead-based paint regulations at 24 CFR Part 35, **prior to occupancy, whether children of any age are present or not.**

A licensed appraiser must appraise all properties purchased with HOME ADDI assistance. The appraised property value and purchase price must not exceed 95% of the area's median price, as determined by the Single Family Mortgage Limits under Section 203 (b) of the National Housing Act (*see attachment B*).

D. Participant Eligibility Requirements

To be able to receive DHCD HOME ADDI Buyer Assistance funds, homebuyers must meet the following criteria:

1. They must be a first-time homebuyer. DHCD has defined a first-time homebuyer as an individual or an individual and his or her spouse who have not owned a home during the 3-year period before the purchase of a home with HOME assistance, except that:
 - a. Any individual who is a displaced homemaker **may not be excluded** from consideration as a first-time homebuyer on the basis that the individual, while a homemaker, owned a home with his or her spouse or resided in a home owned by the spouse;
 - b. Any individual who is a single parent **may not be excluded** from consideration as a first-time homebuyer on the basis that the individual, while married, owned a home with his or her spouse or resided in a home owned by the spouse; and
 - c. Any individual who owns or owned a dwelling unit whose structure is not permanently affixed to a permanent foundation or is not in compliance with State, local, or other applicable codes and cannot be brought into compliance with such codes for less than the cost of construction a permanent structure **may not be excluded** from consideration as a first-time homebuyer.
2. They must be low-income. A household is eligible for DHCD downpayment and closing costs assistance if it earns less than 80% of area median income as defined by the U. S. Department of Housing and Urban Development (HUD) (*see attachment C – “Low Income” = 80% of median*).
3. Income eligibility of the household must be verified within six months prior to occupancy using the Section 8 program definition of annual gross income as described in the *Technical Guide for Determining Income and Allowances for the HOME Program*. If more than six months have elapsed, the income eligibility must be verified again. (You may obtain directions for ordering a copy of the *Technical Guide for Determining Income and Allowances for the HOME Program* at www.comcon.org)

Please note: if a participant is purchasing a multi-family home the net rental income must be included in the income eligibility analysis. To determine the net rental income you may deduct the rental units' share of the Principal, Interest, Taxes and Insurance as well as reasonable management expenses from the rental income.

4. A financial needs assessment must be completed prior to purchase for each household in addition to the income qualification. Eligible participants may not have assets in excess of \$25,000 **at the time of the assessment**. “Assets” shall be calculated as outlined in the *Technical Guide for Determining Income and Allowances for the HOME Program* (*see attachment D*).
5. They must intend to use the property as their principal residence.

6. They must have completed a first-time homebuyer education course that includes pre- and post-purchase counseling.
7. They must obtain a conforming mortgage on the basis of their own income and credit-worthiness (i.e. without the assistance of a co-signer) with terms generally accepted by the industry for no less than 90% of the property's purchase price.

E. Maximum Assistance Amount

The maximum amount of downpayment and closing cost assistance for each homebuyer is the lesser of \$10,000 or 5% of the purchase price.

F. Eligible Closing Costs

DHCD will recognize one time costs associated with the closing as eligible closing costs. These costs may include:

- Lead paint inspection;
- Appraisal fee;
- Attorney's fees;
- Title charges;
- Government recording and transfer charges;
- Reserves deposited with lender.

G. Counseling Requirements

Applicants must ensure that participants in the program complete a first-time homebuyer education course that includes pre- and post purchase counseling. Applicants can chose to provide the counseling directly through a series of first-time homebuyer courses that include one on one counseling or contract with another entity to provide the counseling on their behalf. A copy of the first-time homebuyer education certificate must be maintained in each participant's file.

In addition, applicants must provide counseling specific to the requirements of the HOME Buyer Assistance program prior to committing funds to a household. Items that should be reviewed may include but are not limited to: the HOME ADDI Buyer Assistance Disclosure Statement and Mortgage, lead paint policy, recapture policy, refinance policy.

H. Eligible Administrative Costs

DHCD will provide funding in an amount equal to 10% of the HOME ADDI funding award for reasonable costs incurred for administering the HOME ADDI Buyer Assistance Program. Eligible administrative costs may include:

- General management, oversight and coordination;

- Affirmative fair marketing;
- Annual certification that participants have maintained the property as their primary residence, and that tenant's rental income and rent levels meet HOME requirements (Please see Section I below if applicable);
- Loan processing.

DHCD also will provide an amount up to \$250 per loan for "eligible project costs" as defined in 24 CFR Part 92.206(a) (6). Eligible project costs are those directly attributed to staff and overhead related to carrying out the program and may include:

- HQS inspections;
- Work specifications preparation;
- Homebuyer counseling.

Please note that these expenses can be charged as eligible project costs **only if** the household purchases a property using DHCD's HOME ADDI Buyer Assistance funds.

I. Long-Term Affordability

A Mortgage provided by DHCD must be recorded with each property, restricting the use and subsequent resale of the property for a period of 5 years. The Mortgage requires that the property serve as the purchaser's primary residence for the term of the restriction.

If an owner desires to sell the property prior to the end of the five-year affordability period, the full amount of the loan must be repaid to DHCD.

Any rental units in the property may be unrestricted, provided that the HOME ADDI assistance is earmarked solely for the homeowner's unit. However, in the unlikely event that any of the rental units in the property are HOME ADDI assisted, they must remain affordable for at least 5 years and must meet the following requirements:

- They must be occupied by persons at or below 60% of the area median income at initial occupancy.
- They must be leased at or below the "high" HOME rent, that is the lesser of either:
 - The Section 8 Fair Market Rent (FMR), or
 - A rental rate equal to or less than 30% of the adjusted income for individuals or households whose incomes are 65% of area median, minus tenant-paid utilities.

If during the term of affordability the tenant's income exceeds 80% of area median income other HOME rules will apply.

Typically rental units within multi-family houses purchased with HOME ADDI Buyer Assistance funds **will not** be HOME restricted unless the following is true:

- The total per unit pro-rata share of the HOME ADDI assistance exceeds the total per unit pro-rata share of all other funding (mortgage, purchaser's contributions, grants, etc.) being used to purchase the property.
- The local community chooses to restrict both units.

If there are HOME ADDI assisted rental units then at the time of initial rent up and on an annual basis thereafter, property owners must certify tenant incomes, rents, and utility allowances. All documentation must be maintained in the applicant's HOME ADDI file

J. Refinance Policy

When a homeowner participating in the program wishes to refinance the first mortgage on a property, DHCD **will approve the subordination** of the HOME ADDI mortgage only if the refinance will result in a lower interest rate and the terms of the mortgage are acceptable to DHCD. Participants **will not** have to repay any of their HOME ADDI assistance subsidy if:

- the new mortgage will have a lower fixed interest rate, and
- the amount of the new loan does not exceed the outstanding principal balance of the loan being refinanced, plus reasonable closing costs.

DHCD **will not approve the subordination** of the HOME ADDI mortgage if the purpose of the refinance is to cash out equity in the property. Participants **will** have to repay the entire HOME ADDI subsidy if they choose to refinance at a mortgage amount greater than their existing mortgage balance plus reasonable closing costs. Please note: paying off personal debt (for example, credit cards, car loans, student loans, etc.) is not considered a closing cost.

H. DHCD Funding Priorities

DHCD has established funding priorities for applications seeking state HOME ADDI funds. The funding priorities have been established to support programs with the following special characteristics:

- Official local support;
- Minimal request for DHCD assistance;
- Utilization of funds in HOME non-entitlement communities;
- Programs with non-profit sponsorship.

Attachment D

Needs Assessment – Net Family Assets

Inclusions	Exclusions
1. Cash held in savings accounts, checking accounts, safe deposit boxes, homes, etc. For savings accounts, use the current balance. For checking accounts, use the average 6-month balance	1. Necessary personal property, except as noted in number 8 of inclusions, such as clothing, furniture, cars and vehicles specially equipped for person with disabilities.
2. Cash value of recoverable trusts available to the application.	2. Interest in Indian trust land.
3. Equity in rental property or other capital investment. Equity is the estimated current market value of the asset less the unpaid balance on all loans secured by the asset and all reasonable costs (e.g. broker fees) that would be incurred in selling the asset.	3. Assets not effectively owned by the applicant. That is, when assets are held in an individual's name, but the assets and any income they earn accrue to the benefit of someone else who is not a member of the household and that other person is responsible for income taxes incurred on income generated by the asset.
4. Cash value of stocks, bonds, Treasury bills, certificates of deposit and money market accounts.	4. Equity in cooperatives in which the family lives.
5. Individual retirement and Keogh accounts (even though withdrawal would result in a penalty).	5. Assets not accessible to and that provide no income for the applicant.
6. Retirement and pension funds.	6. Term life insurance policies (i.e. where there is no cash value).
7. Cash value of life insurance policies available to the individual before death (e.g. surrender value of a whole life or universal life policy).	7. Assets that are part of an active business "Business" does not include rental of properties that are held as an investment and not a main occupation.
8. Personal property held as an investment such as gems, jewelry, coin collections, antique cars, etc.	
9. Lump sum or one-time receipts, such as inheritances, capital gains, lottery winnings, victim's restitution, insurance settlements and other amounts not intended as periodic payments.	
10. Mortgages or deeds of trust held by an applicant.	